

CARAN d'ACHE

CARAN d'ACHE

“Maison de Haute Ecriture”

and

The Road to China

by

Angelo Ponzetta

(2006-12-02)

CARAN d'ACHE
OF SWITZERLAND

Caran d'Ache

Introduction

The Road to China

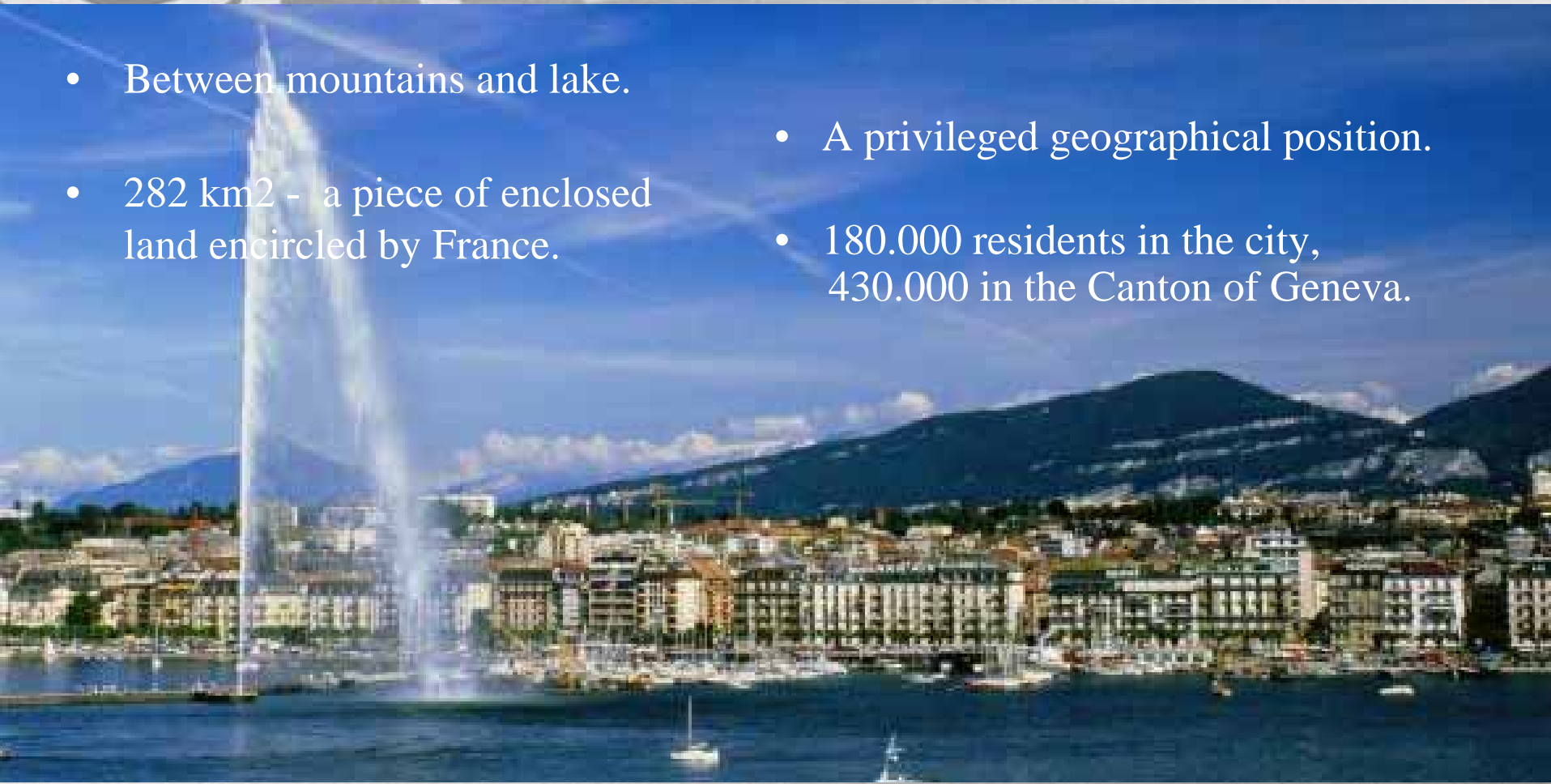
Personal Experience

CARAN d'ACHE

Geneva briefly

A dynamic city, a city in the heart of Europe

- Between mountains and lake.
- 282 km² - a piece of enclosed land encircled by France.
- A privileged geographical position.
- 180.000 residents in the city, 430.000 in the Canton of Geneva.

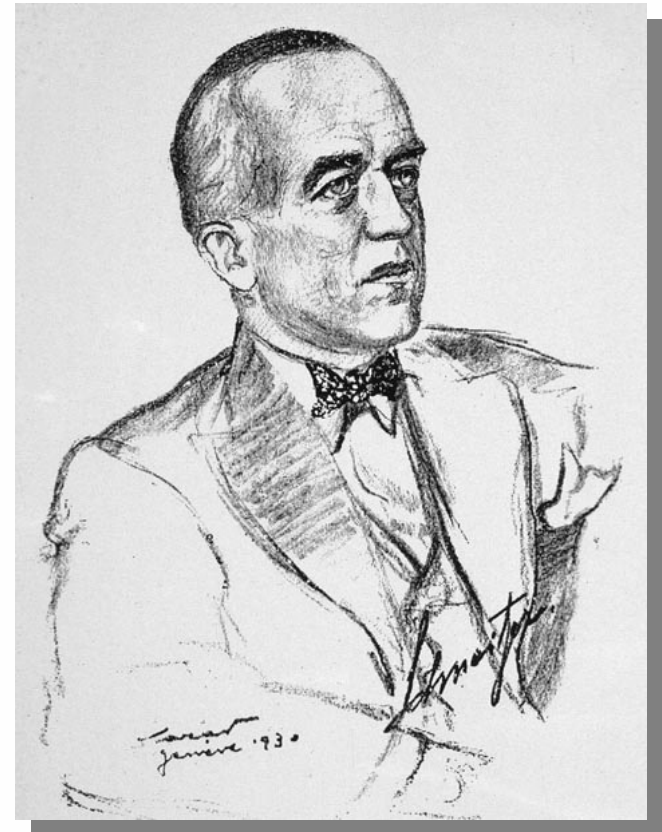


CARAN d'ACHE
OF SWITZERLAND

Caran d'Ache history

A man, a company

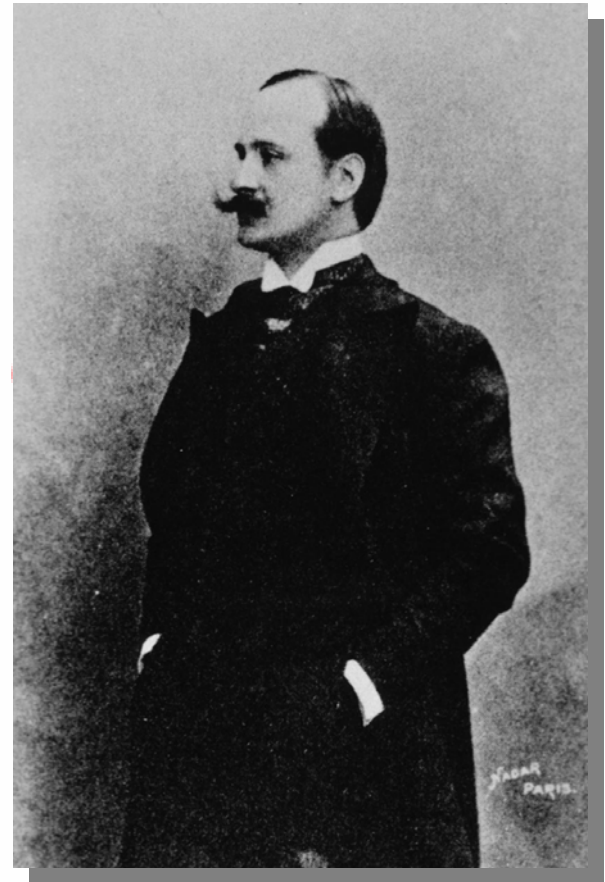
- Since 1914, pencils were manufactured in Geneva.
- The "Ekridor Pencil Factory" was founded in 1915 in Geneva
- In 1924, Arnold Schweitzer bought the factory and changed its name into "Caran d'Ache"
- Independent family enterprise since its origin.



Caran d'Ache history

A name, an origin

- **Caran d'Ache is a French transliteration of the Russian word for pencil “karandash”.**
- **The French artist Emmanuel Poiré, born in Moscow 1859, died in Paris 1909, chose the name as his pseudonym.**
- **Arnold Schweitzer, who admired the work of Poiré, named his company to honor the memory of the artist.**



CARAN d'ACHE
OF SWITZERLAND

Caran d'Ache history

A year, a launch

1924 → Colour pencils

1929 → First Fixpencil (Registered Patent)



1930 → Ecridor

1978 → Lighter Collection

1931 → Prismalo water-soluble pencils

1995 → Jewellery Collection

1952 → Neocolor wax-oil crayons

1999 → Varius Collection

1953 → Ecridor ballpoint pen

2001 → Mr Color

2004 → Markets development

1955 → Colour Circle classification

2003 → Shop in Shop

2005 → Reinforcement

Caran d'Ache history

A year, a launch

1924 → Colour pencils

1929 → Fixpencil

1930 → Ecridor Gold Clutch Pencil



1931 → Prismalo water-soluble pencils

1952 → Neocolor wax-oil crayons

1953 → Ecridor ballpoint pen

1955 → Colour Circle classification

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Caran d'Ache history

A year, a launch

1931 → World first Water soluble pencils

- 1929 → Fixpencil
- 1930 → Ecridor
- 1931 → Prismo water-soluble pencils
- 1952 → Neocolor wax-oil crayons
- 1953 → Ecridor ballpoint pen
- 1955 → Colour Circle classification
- 1978 → Lighter Collection
- 1995 → Jewellery Collection
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CARAN d'ACHE
OF SWITZERLAND

CARAN d'ACHE

Caran d'Ache history A year, a launch

1924 → Colour pencils

1929 → Fixpencil

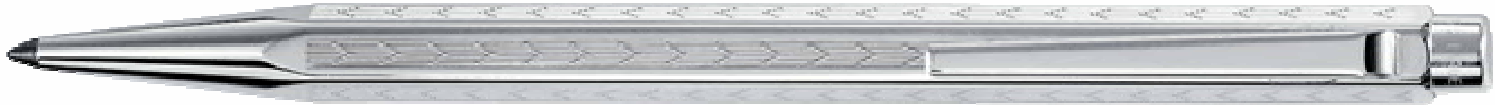
1930 → Ecridor

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CARAN d'ACHE
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Caran d'Ache history

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CARAN d'ACHE
OF SWITZERLAND

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CARAN d'ACHE
OF SWITZERLAND

Caran d'Ache history

A year, a launch

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- 1999 → Varius Collection
- 2001 → Mr Color

2003 → First Shop



CARAN d'ACHE

Caran d'Ache history A year, China Development

- 1924 → Colour pencils
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Caran d'Ache history

A year, China Development

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Caran d'Ache overview A company, business units

Writing Instruments



Arts products



Accessories



Toys



Caran d'Ache overview **A company, a duty free unit**

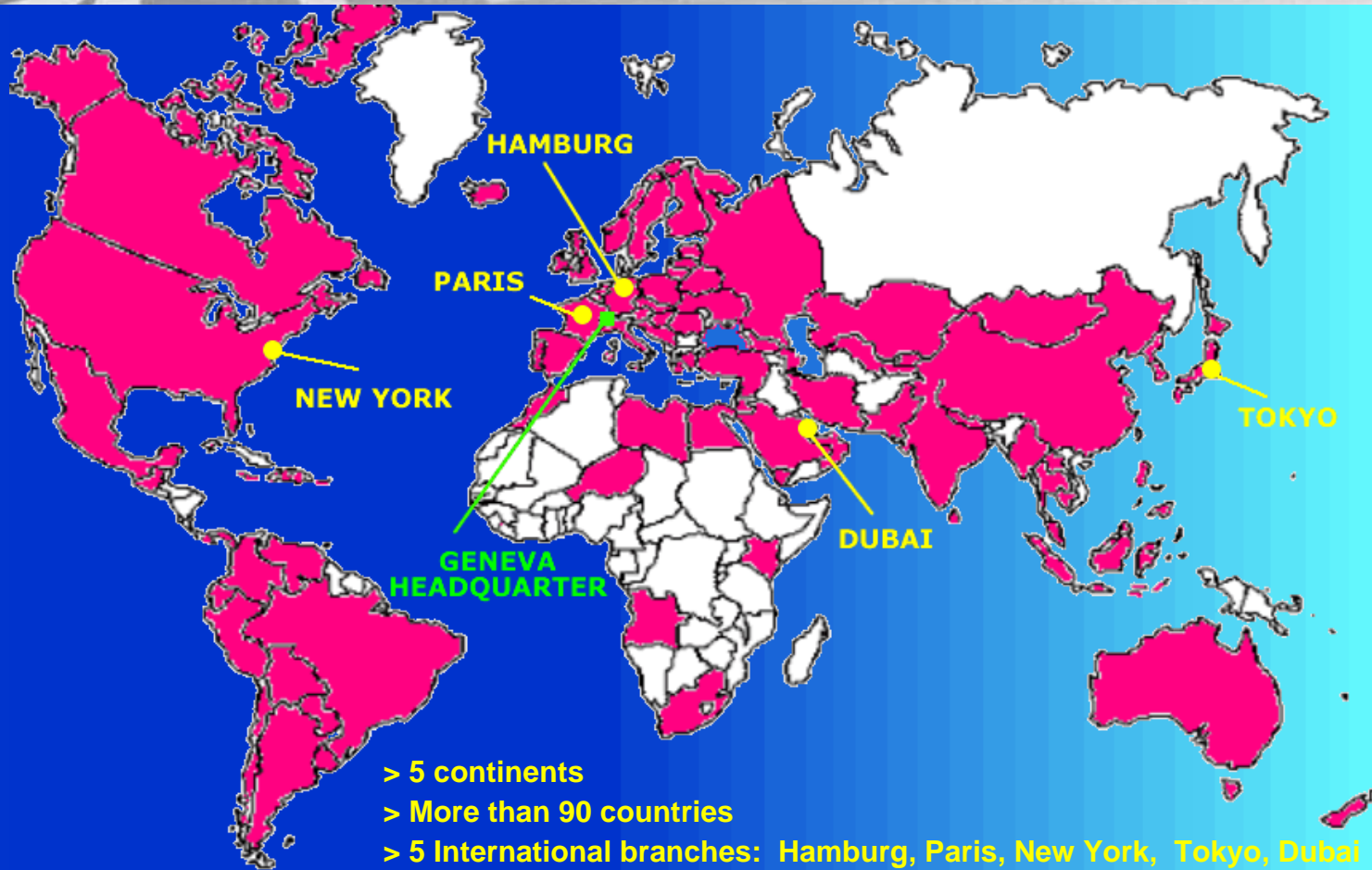
Listed on 30 airlines around the world.



CARAN d'ACHE
OF SWITZERLAND

Caran d'Ache overview

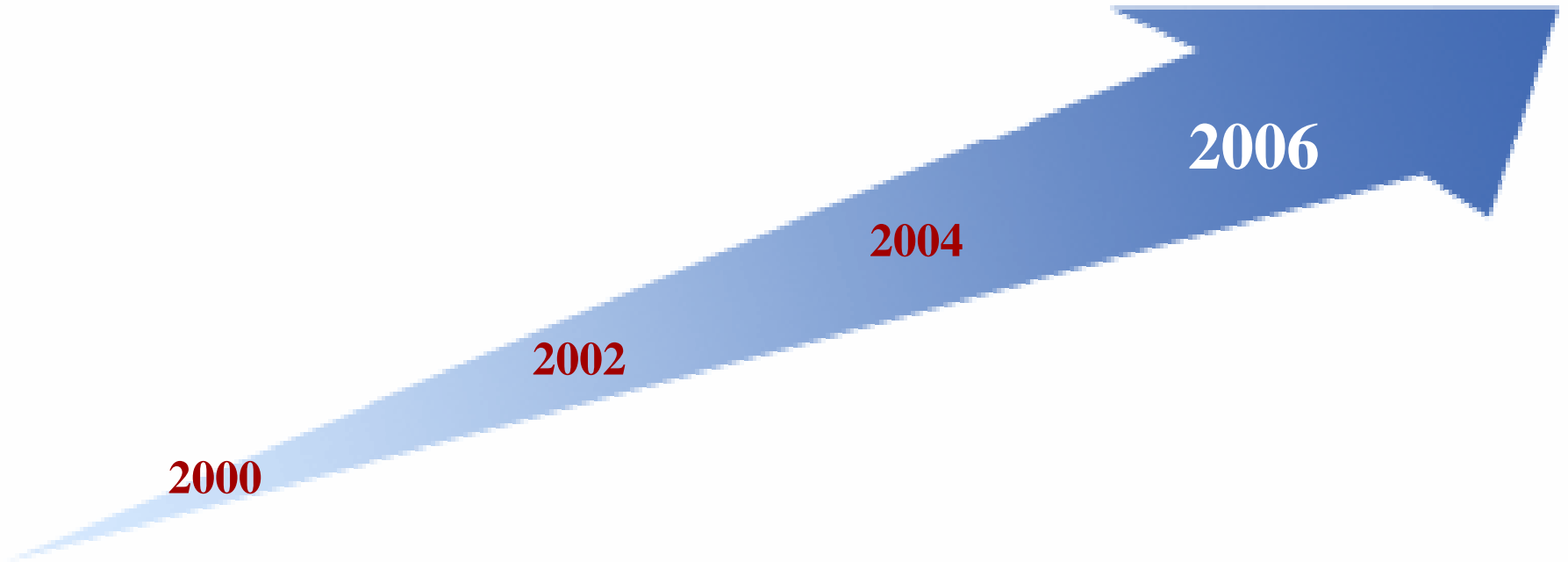
A company, a distribution network



Caran d'Ache overview

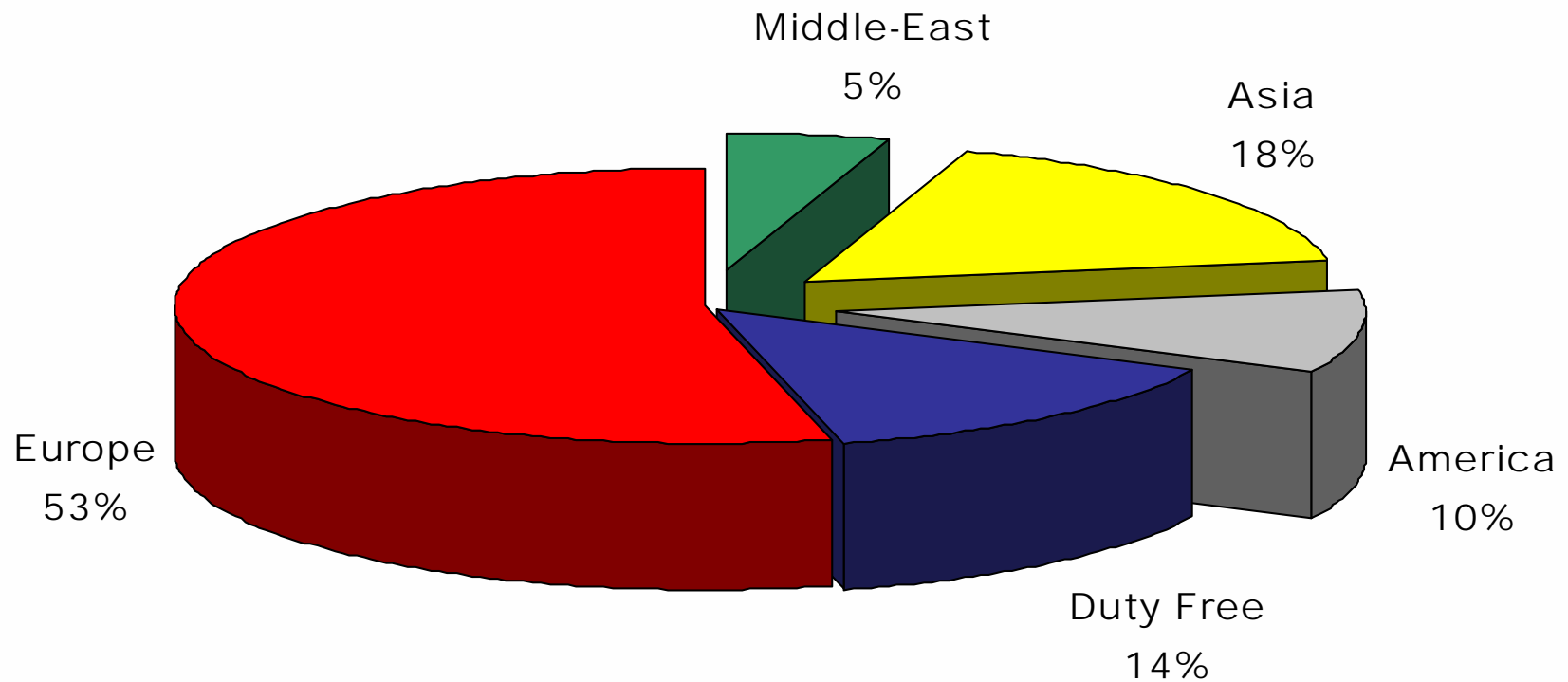
A company, export sales

CdA Export Sales 2000-2005, (2006)



Caran d'Ache overview export sales

CdA Export Sales by area in 2006/forecast



Asia Pacific Coverage

**Caran d'Ache
Asia Pacific**

Japan

Hong Kong / Macao

Taiwan

China

South Korea

Thailand

Singapore

Malaysia

Indo-China

(Vietnam, Cambodia, Laos, Myanmar)

Indonesia

Philippines

Mongolia

Australia

New Zealand



CARAN d'ACHE

The Road to China

The road to China



CARAN d'ACHE
OF SWITZERLAND



The Road to China

“He who knows the art of the direct and indirect approach will be victorious. Such is the art of maneuvering.”

“Nothing is more difficult than the art of maneuver. What is difficult about maneuver is trying to make the most devious route direct, and turn misfortune into advantage.”

SunTzu



The Road to China

Personal Experience

There are no simple formulas or magic solutions in dealing with China.



The Road to China

**“There lies a sleeping giant, let her sleep
for when she wakes up she will shake the world!”**

Napoleon Bonaparte on China, early nineteenth century

**“It is time to prosper. China has been poor
a thousand years....to get rich is glorious,”**

Deng Xiaoping, 1982



The Road to China

One Billion Customers

Growth in household expenditure
Growth of consumerism
More Affluent People
100 million Rich!



Increase in Income
Increase in Wealth
Status symbol
Early Positioning

Opportunity!

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OF SWITZERLAND



The Road to China

Sun Tsu believed that an understanding of conditions was critical for success when entering unfamiliar ground.

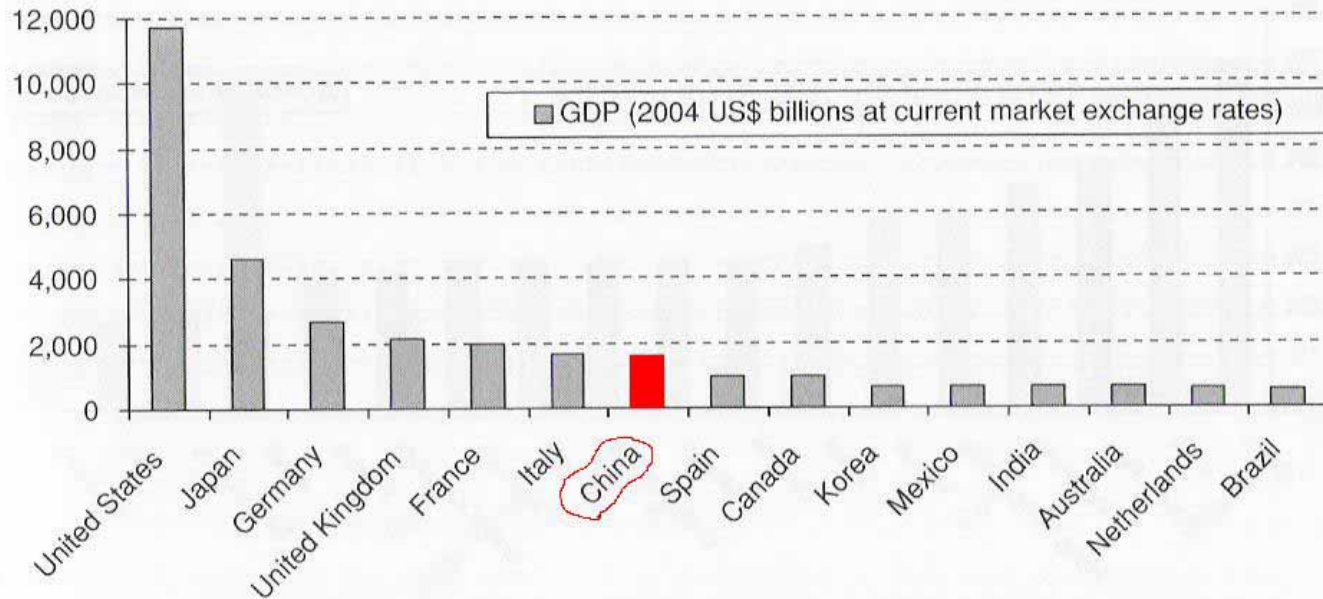
The successful strategist first makes the unfamiliar known and understood before penetrating deeper.

SunTzu's ART OF WAR



The Road to China

HOW BIG IS CHINA'S ECONOMY?



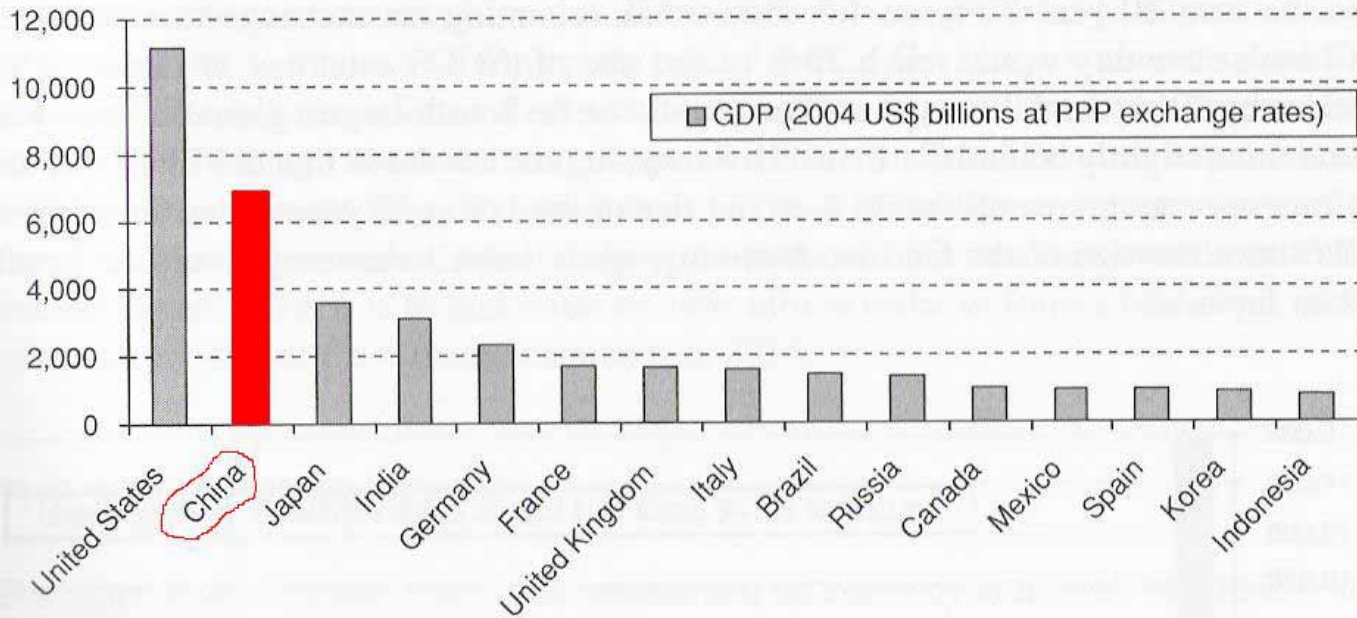
Source: IMF and Credit Suisse estimates

Figure 1.2 Largest 15 global economies by 2004E (estimate) GDP (2004 US\$ and current market exchange rates)



The Road to China

HOW BIG IS CHINA'S ECONOMY (real)?



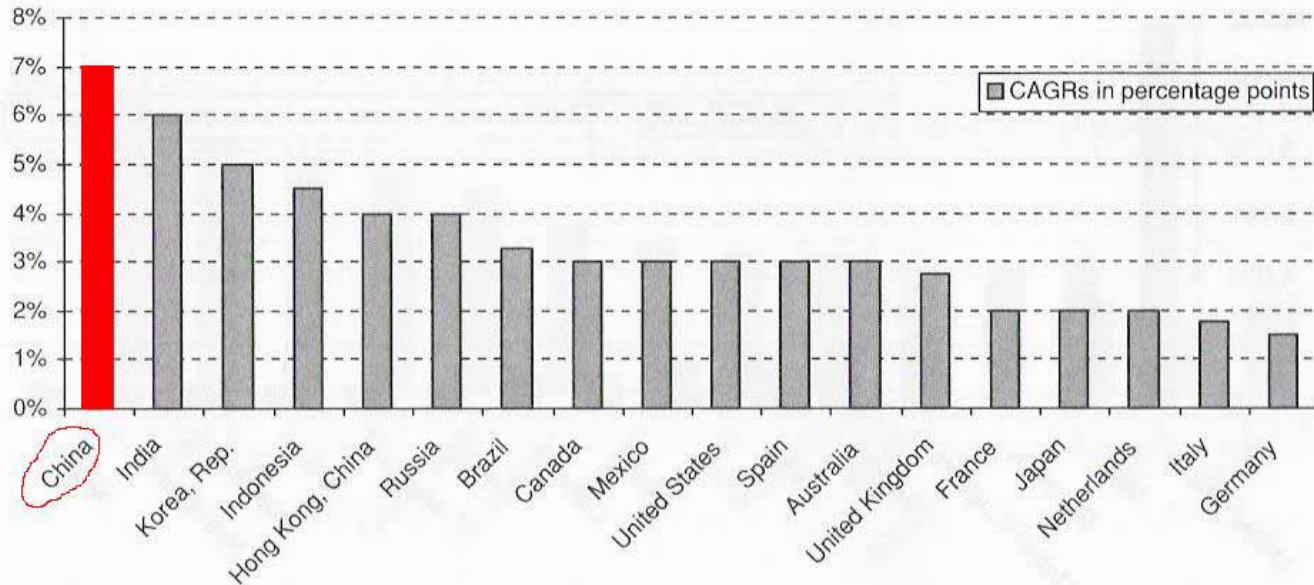
Source: IMF and Credit Suisse estimates

Figure 1.3 Largest 15 global economies by 2004E GDP (2004 US\$, PPP exchange rates)



The Road to China

Credit Swiss estimates most relevant global economies!



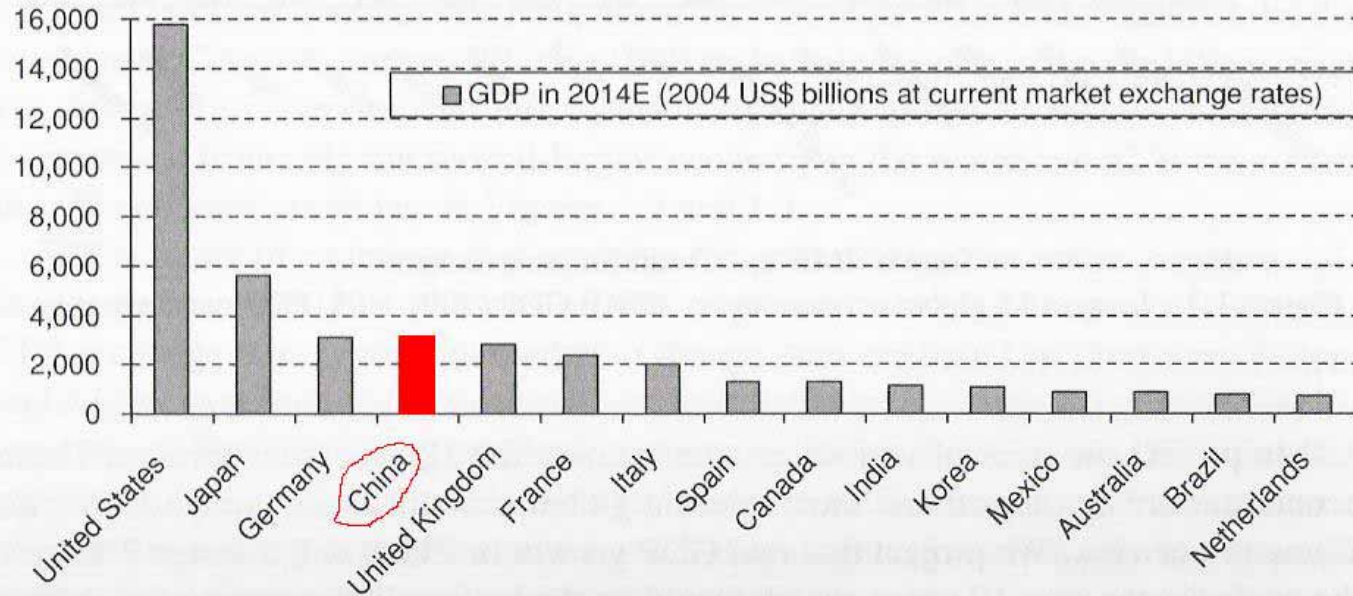
Source: Credit Suisse estimates

Figure 1.4 Credit Suisse assumptions for real CAGRs of GDP for what we view as the largest and most relevant global economies over the next 10 years



The Road to China

Largest economies projected in 2014!



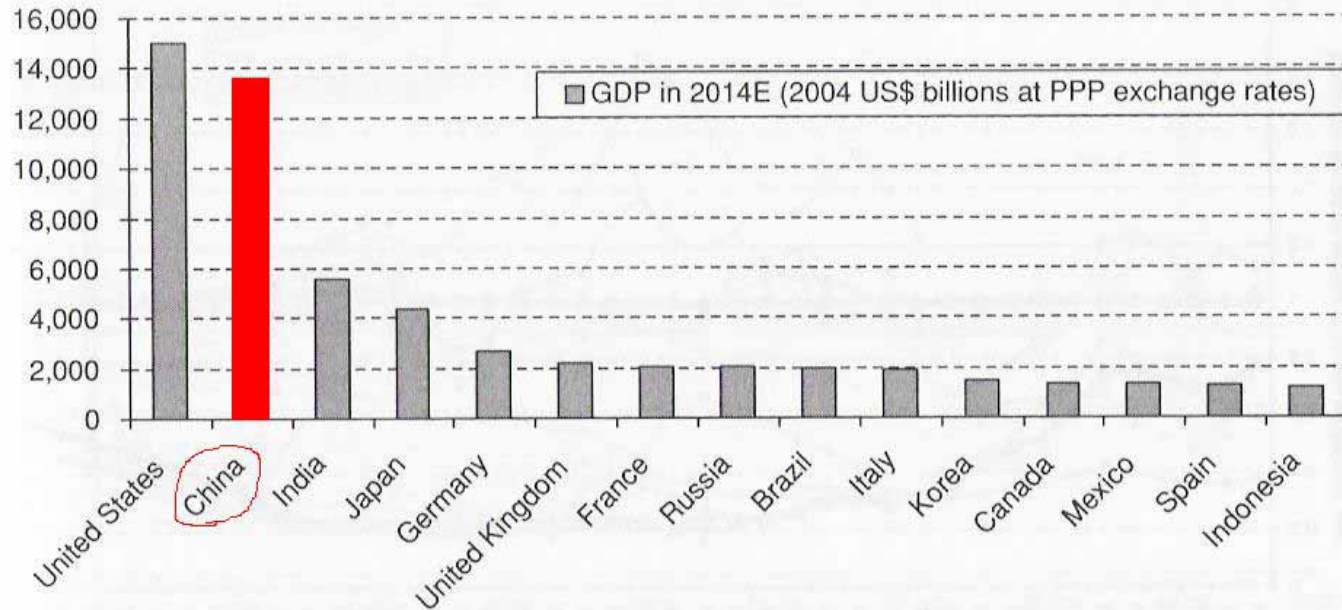
Source: IMF and Credit Suisse estimates

Figure 1.5 Largest 15 global economies currently by GDP (2004 US\$), projected to 2014E using Credit Suisse estimated CAGRs and assuming no exchange-rate changes



The Road to China

Largest economies projected in 2014 (real)!



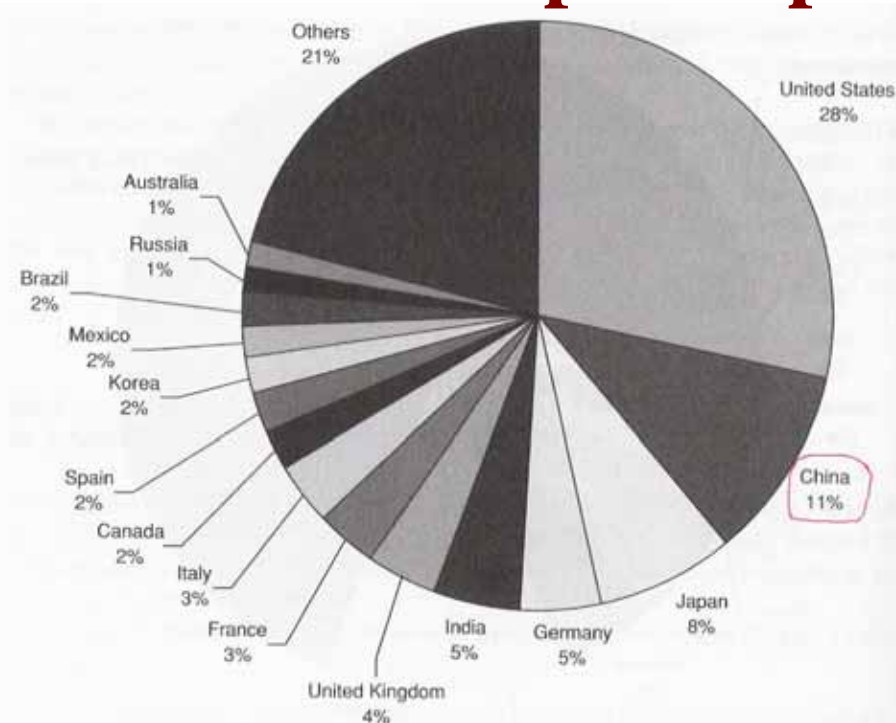
Source: IMF and Credit Suisse estimates

Figure 1.6 Largest 15 global economies currently by GDP (2004 US\$, PPP), projected to 2014E using Credit Suisse estimated CAGRs



The Road to China

Global household consumption spend in 2014!



Source: IMF, World Bank and Credit Suisse estimates

Figure 1.13 Credit Suisse forecasts for global aggregate household consumption spend in 2014E



The Road to China

Research

- By Embassy
- By Chambers
- By Business people
- By Consultancies
- By Friends
- By Customers

Evaluation of Candidates

- Distributor in Hong Kong
- Distributor in Taiwan
- Candidate in Beijing
- Candidate in Wenzhou
- Others



The Road to China

Opportunities

- **Big Market**
- **over 100 million Rich people**
- **Success by other Swiss companies (watches)**
- **Main competitors already have successful presence**
- **Long term return**
- **Important to be first**



The Road to China

<p><u>RICHEMONT</u> Montblanc Cartier Montegrappa Dunhill (Piaget, IWC, Baume & Mercier, Jaeger-Le-Coultre)</p>	<p><u>LVMH</u> Omas (Tag Heuer, Ebel, Zennith, Chaumet, Moët & Chandon, Louis Vuitton, Channel)</p>
<p><u>SANFORD</u> Sanford Parker Waterman Rotring & Reynolds Sensa & Paper Mate</p>	<p><u>BIC</u> Bic Sheaffer Conté</p>
<p>Caran d'Ache, Faber Castell, Dupont, Lamy, Pelikan, Cross, Pilot (Namiki)</p>	



The Road to China

China has become a manufacturing powerhouse, combining technologically sophisticated factories with energetic, intelligent, and low-cost labor.

But China has allowed foreigners in only on its own terms, and terms are often *opaque, contradictory, and bewildering*. All too often, laws are only the law when they benefit China.

Negotiation can take for ever and the resulting agreements can be promptly ignored.

Corruption is frequently the lubricant that greases the wheel of commerce.

Foreign companies rightly fear that Chinese partners, customers, or suppliers will *steal their technology or trade secrets* or simply pick their pockets.



The Road to China

Implications

- Country is very big (not easy to cover)!
- Different Culture and Language!
- Products will be copied!
- Wrong connections!
- Investment risks?
- Incentive (Corruption)?
- How long will it last?



The Road to China

Sun Tsu said: The skilful warriors in ancient times first made themselves invincible and then awaited the enemy's moment of vulnerability. Invincibility depends on oneself, but the enemy's vulnerability on himself. It follows that those skilled in war can make themselves invincible but cannot cause an enemy to be certainly vulnerable.

Therefore, it can be said that one may know how to achieve victory, but cannot necessarily do so.

SunTzu's ART OF WAR



The Road to China

Our Decision

→ **Yes we go! But with following Restrictions:**

- **One Sol Agent for China**
- **With Experience in Retail (Luxury)**
- **Willing to invest in our brand**
- **Willing to take own risk**
- **Possibly with connections (government)**



The Road to China

Result

- We keep our strategy and produce everything in Geneva
- We export only luxury products to China
- We decid for one partner
- Complete Distribution in China
 - *Opening 50 shops over 5 years till 2010*
- Invest in implementing service and training center
- Invest in industrial zone for a logistic center



The Road to China

Challenges

Negotiations

Agreements

Payments

How to handle copies (Fakes)



The Road to China

Present Situation

- **We signed the contract on July 2005**
 - **Renk Industries in Wenzhou (Zhejiang Province)**
- **Opened first shop in Shanghai on October 2005**
- **We have today 3 shops and two corners**
- **Planned to open more 5 shops in 2006**
- **Investment for Service and training center already done.**
- **Investment for the logistic centre on the way to be signed.**



CARAN d'ACHE

The Road to China

Investment in Logistic and Service Center





Beijing

Shanghai
Wenzhou

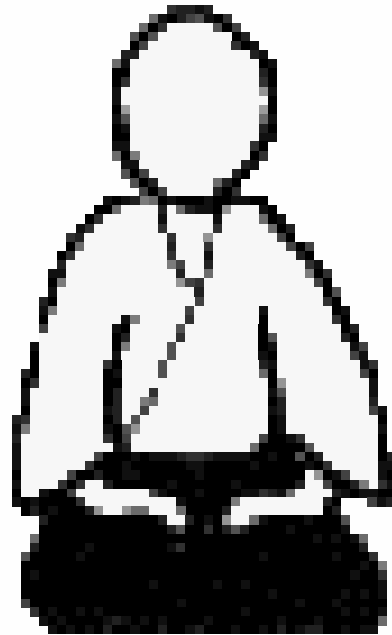
Kunming



Beijing

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Thank you very much!



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